

Message Text

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ACTION AID-59

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TAGS: EAID, EAGR, BG
SUBJ: LOCAL FOOD DONORS MEETING, APRIL 26, 1978

REF: (A) DACCA 2523 (B) DACCA 2586

1. SUMMARY. M.MOMEN KHAN, ADVISOR FOR FOOD, CHAIRED THE LOCAL DONORS MEETING AND TOOK THE OPPORTUNITY TO ANNOUNCE THE BDG'S INTEREST IN OPEN MARKET SALES, WHICH GIVEN THE BDG'S LACK OF INTEREST IN THIS SUBJECT AT THE JANUARY 19 WORLD BANK MEETING, IS A MAJOR STEP FORWARD ON THE FOOD POLICY FRONT. THE ADVISOR MADE IT CRYSTAL CLEAR, HOWEVER, THAT THE BDG'S ABILITY TO UNDERTAKE SUCH A PROGRAM IS CONTINGENT UPON A HIGHER LEVEL OF IMPORTS IN THE NEXT FEW MONTHS. THESE IMPORTS ARE NEEDED TO KEEP THE OVERALL STOCK LEVEL ABOVE 500,000 TONS DURING THE LEAN SEASON. THERE WERE NO NEW COMMITMENTS OR INDICATIONS OF ACCELERATED SHIPPING SCHEDULES BY THE DONORS. TO A DEGREE, THE MEETING APPEARED TO BE DIRECTED TO THE UNITED STATES. AS SUGGESTED REF A, IF THE U.S.IS TO GET ON WITH TITLE III IN FY 78 FOR OPEN MARKET SALES, THE FIRST STEP IS TO ARRANGE SHIPMENTS OF WHEAT FOR THAT PURPOSE. MISSION REQUESTS REPLY TO OPTIONS POSED REF A. END SUMMARY.

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2. PRIOR TO THE MEETING THE BDG DISTRIBUTED A PAPER ENTITLED QUOTE PAPER FOR LOCAL DONORS' GROUP MEETING ON FOOD ASSISTANCE UNQUOTE WHICH IS ESSENTIALLY THE SAME AS THE PAPER PREPARED FOR THE WORLD BANK AT VICE PRESIDENT HOPPER'S REQUEST. IN A RELATED DEVELOPMENT WFP CIRCULATED ITS NEW FOODGRAIN FORECAST. THE STOCK LEVEL FOR DECEMBER 31, 1978 ESTIMATED BY THE MISSION (REF B) IS VIRTUALLY THE SAME AS WFP'S EVEN THOUGH THERE

ARE SOME DIFFERENCES IN THE ILLUSTRATIVE SHIPPING SCHEDULE.

3. THE MEETING WAS ATTENDED BY ALL WESTERN AND MULTILATERAL DONORS, FOOD AND NON FOOD ALIKE, AND, FOR THE FIRST TIME THE SAUDI ARABIAN AMBASSADOR. AMBASSADOR SCHNEIDER, ECON OFFICER, AID DIRECTOR AND PROGRAM OFFICER ATTENDED FROM THE MISSION. THE ADVISOR OPENED THE MEETING BY READING A PREPARED TEXT. HE EMPHASIZED THE FOLLOWING: (A) THE BDG'S THANKS FOR PAST DONOR ASSISTANCE; (B) THE DIFFICULTY OF MANAGING FOOD IN BANGLADESH GIVEN UNCERTAIN WEATHER, LOGISTICAL PROBLEMS AND THE INABILITY OF DONORS TO MEET SHIPPING SCHEDULES FROM TIME TO TIME; (C) GOOD AGRICULTURAL CONDITIONS THIS YEAR WILL YIELD A PRODUCTION INCREASE OF 12 PERCENT OVER LAST YEAR; (D) THE SUCCESS OF THE BDG'S DOMESTIC PROCUREMENT EFFORT; (E) THE BDG'S MOVES TO CHANGE THE PATTERN OF RATION DISTRIBUTION TO FAVOR RURAL, POOR PEOPLE (THRU FFW AND MODIFIED RATIONING); (F) THE GOVERNMENT'S INTEREST IN OPEN MARKET SALES (OMS) DURING THE LEAN SEASON; (G) THE INADEQUACY OF BDG'S ESTIMATED STOCK LEVELS TO SUPPORT OMS IN COMING MONTHS; AND (H) THE BDG'S THINKING ON FOOD MANAGEMENT POLICIES IS INCREASINGLY AFFECTED BY CONSIDERATIONS OF INCENTIVES TO FARMERS.

4. OMS, SHIPMENTS AND FOOD POLICY. ON POINTS F, G AND H ABOVE, THE ADVISOR MADE THESE REMARKS:
QUOTE WE PROJECT A TOTAL OFFTAKE OF 19LAKH TONS DURING 1978-79. THOUGH MAINTAINED AT THE CURRENT YEAR'S LEVEL IT IS LIMITED OFFICIAL USE

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MORE EGALITARIAN AND FORWARD LOOKING. FOOD FOR WORK AND MODIFIED RATIONING TO THE LOWEST INCOME QUARTILE IN RURAL AREAS WILL CLAIM HIGHER PERCENTAGE OF THE TOTAL DISTRIBUTION, BESIDES THE NEW CHANNEL OF OPEN MARKET OPERATION WHICH IS UNDER ACTIVE CONSIDERATION OF THE GOVERNMENT. BUT SHIFT IN FAVOR OF MORE OPEN MARKET OPERATION IN PREFERENCE TO THE CLOSED CIRCUIT DISTRIBUTION IS POSSIBLE IN AN ENVIRONMENT OF REASONABLY ADEQUATE SUPPLY AND MODERATION OF THE EXISTING IMPERFECTIONS IN THE LOCAL MARKETING CHANNEL. A MINIMUM ARRIVAL OF 800,000 TONS OF FOODGRAINS (200,000 TONS ADDITIONAL ESTIMATE IS DUE TO LOWER YEAR-END RESERVE) BETWEEN JULY AND MID NOBEMBER WILL BE NECESSARY FOR THE REQUIRED MARKET INTERVENTION AND PRICE STABILIZATION THROUGH THE VARIOUS PUBLIC DISTRIBUTION CHANNELS. CURRENT INDICATIONS ON AVAILABILITY FROM THE DONORS DURING JULY - DECEMBER ARE ESTIMATED AT AROUND 400,000 TONS EXCLUDING THE SPILLOVER OF 115,000 TONS FROM EEC. THESE ARE YET TO ENTER NEGOTIATION AND MAY NOT BE AVAILABLE DURING THE LEAN MONTHS. UNLESS THE AVAILABLE INDICATIONS ARE FIRMED UP THROUGH NEGOTIATIONS AND AGREEMENT SOON OUR WHEAT RESERVE MAY FALL CRITICALLY BELOW ANY MANAGEABLE LEVEL BY LATE AUGUST. A WELL PLANNED PHASE OUT FLOW OF 800,000 TONS OF FOODGRAINS BETWEEN JULY AND MID NOVEMBER

WILL SPARE US OF ANY UNDUE STRAIN ON LIMITED RICE RESERVE AND POSSIBLE COMPELLING PRESSURE FOR RESORTING TO CASH PURCHASE OF FOODGRAINS FROM ABROAD. FOREMOST CONSIDERATION FOR ADEQUATE AVAILABILITY TO FACILITATE OPEN MARKET OPERATION ON A REASONABLE SCALE IS IMPORTANT IN THIS RESPECT.

QUOTE ALL THESE CALL FOR HIGHER LEVEL OF COMMITMENTS ON FOOD AID FOR 1978-79 FISCAL YEAR TO ENABLE US TO PRESERVE VALUABLE FOREIGN EXCHANGE RESERVE FOR MORE PRODUCTIVE IMPORTS.

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QUOTE OUR FOOD MANAGEMENT POLICIES ARE BEING INCREASINGLY LINKED UP WITH PRODUCTION AND INCENTIVE. CO-RELATIONSHIP BETWEEN INPUT PRICING AND PROCUREMENT IS BECOMING MORE APPARENT. REDUCTION OF FOOD SUBSIDY WHICH IS DEPENDENT ON A SET OF INTERLOCKING FACTORS LIKE TERMS OF IMPORT FROM ABROAD, WHEAT/RICE COMPOSITION IN THE TOTEL DISTRIBUTION AND OTHER ALLIED FACTORS IS BEING PURSUED AS A PRIORITY OBJECTIVE. ACTIVE CONSIDERATION IS BEING EXTENDED TO THE POSSIBILITIES OF OPEN MARKET OPERATION ON A REASONABLE SCALE PROVIDED ADEQUATE SUPPORT IS AVAILABLE FROM THE DONORS IN THIS RESPECT UNQUOTE.

5. IN THE QUESTION PERIOD WHICH FOLLOWED, AMBASSADOR SCHNEIDER ASKED WHY THE BDG INTENDS TO IMPORT RICE IN JULY, AS INDICATED BY THE BDG'S FORECAST (AND REPORTED REF B). WHILE THE ADVISOR REPLIED THAT THE BDG HAD TO BE PREPARED FOR ALL CONTIGENCIES THE SECRETARY OF FOOD, L.R. KHAN, GENTLY CONTRADICTED HIS BOSS BY SAYING THAT THE FIGURE FOR RICE WAS NOTIONAL. L.R. KHAN ALSO PROVIDED FIGURES WHICH INDICATED THAT RICE AS A PERCENTAGE OF TOTAL OFFTAKES IN THE RATION SYSTEM HAS BEEN DECLINING YEAR TO YEAR AND THAT THIS YEAR'S PROCUREMENT EFFORT IS ABOUT EQUAL TO A ONE YEAR RATION SUPPLY REQUIREMENT. FYI. IN THE MISSION'S JUDGMENT THE BDG HAS

NO INTENTION OF PROCURING RICE COMMERCIALY AND THERE IS NO
PROSPECTIVE DONOR WHO WOULD SUPPLY 100,000 TONS IN JULY. END
FYI.

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6. THE CANADIAN REPRESENTATIVE SUGGESTED THAT THE BDG'S AND
WFP'S SHIPPING SCHEDULE MIGHT BE MISINTERPRETED BY SOME SINCE
CANADA HAD NEITHER PLEDGED 200,000 TONS (YET) NOR INDICATED
DELIVERY DATES. UNTIL THE PARIS AID GROUP MEETING. THESE
ESTIMATES COULD NOT BE TAKEN AS GIVENS.

7. OTHER QUESTIONS CONCERNING THE BDG'S CAPACITY TO EXPAND
FOOD FOR WORK AND ITS INTENTIONS WITH RESPECT TO MAINTAINING A
QUOTE ALL TIME RESERVE OF ONE MILLION TONS OF FOODGRAIN UNQUOTE
(FROM THE BDG'S PAPER) WENT UNANSWERED IN THE WAKE OF THE
ADVISOR'S RAMBLING, ANECDOTAL REPLIES.

8. IN THE MIDST OF MAKING A POINT ABOUT THE NEED FOR
HIGHER DONOR IMPORTS, THE ADVISOR OBSERVED THAT THE UNITED STATES'
SHARE OF FOODGRAIN IMPORTS HAS BEEN STEADILY DECLINING FROM A
HIGH OF ABOUT 50 TO 55 PERCENT IN 1973 TO A CURRENT LEVEL OF ABOUT
30 TO 35 PERCENT OF THE TOTAL. THE FOOD SECRETARY ECHOED THIS
THOUGHT WITH THE ASSERTION THAT WHEREAS THE U.S. PROVIDES ABOUT
60 PERCENT OF THE FOODGRAIN REQUIREMENTS OF IMPORTING LDCS,
BANGLADESH IS NOT GETTING ITS FAIR SHARE. FYI. THIS THEME WAS
BROACHED LAST WEEK IN DISCUSSIONS WITH USAID AND MAY BE ONE THE
BDG IS AIMING TO DEVELOP FURTHER AT THE PARIS AID GROUP MEETING.
END FYI.

9. THE ADVISOR CONCLUDED THE MEETING WITH A REVIEW OF THE BDG'S
SCORE CARD IN IMPLEMENTING FOOD POLICY MEASURES. HE THOUGHT THE
RECORD WAS VERY GOOD WITH THE EXCEPTION OF ONE OR TWO MINOR
DIFFICULTIES SUCH AS THE BUSINESS OF CANCELLING RATION CARDS FOR
THE MOST AFFLUENT CARD HOLDERS. ON THIS MATTER HE COUNSELED
PATIENCE AND ASKED FOR THE DONORS' UNDERSTANDING OF THE SOCIAL
AND ECONOMIC CONSIDERATIONS WHICH MAKE SOME ACTIONS MORE
DIFFICULT TO IMPLEMENT THAN ANTICIPATED.

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10. IN THE MISSION'S VIEW, BOTH THE GOVERNMENT'S BACKGROUND
PAPER AND THE ADVISOR'S REMARKS WERE DIRECTED TO POLICY AND EQUITY
ISSUES WHICH CONCERN THE U.S. MORE THAN MOST DONORS. IN ADDITION,
THE QUEST FOR MORE IMPORTS BETWEEN JULY AND DECEMBER SEEMED TO BE
LEVELLED PRIMARILY AT THE U.S., IN THE CONTEXT OF THE BDG'S INTEREST

IN OMS. IN THIS REGARD, THE MISSION SUGGEST THAT IT IS IMPORTANT
TO ESTABLISH QUICKLY WHETHER THE U.S.M WILL OR WILL NOT
ATTEMPT TO SUPPLY MORE FOODGRAIN BY AUGUST IN PREPARATION FOR OMS
IN THE LEAN SEASON. IF NOT, WE WOULD LIKE TO ADVISE THE GOVERNMENT
AS SOON AS POSSIBLE AND RPT AND INDICATE THAT WE ARE HOPEFUL OF
MAKING A SIGNIFICANT PLEDGE AT PARIS IN SUPPORT OF OMS TO
BEGIN NEXT MARCH-APRIL. THE MISSION THEREFORE REQUESTS EARLY
CONSIDERATION OF THE OPTIONS POSED REF A AND ADVISE BY TELEGRAM.
DECON APRIL 27, 1979.
SCHNEIDER

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